

Wisconsin State Legislature

SENATE CHAIR
ALBERTA DARLING

317 East, State Capitol
P.O. Box 7882
Madison, WI 53707-7882
Phone: (608) 266-5830



ASSEMBLY CHAIR
ROBIN VOS

309 East, State Capitol
P.O. Box 8593
Madison, WI 53708-8953
Phone: (608) 266-9171

Joint Committee on Finance *100TH ANNIVERSARY 1911 - 2011*

MEMORANDUM

To: Members
Joint Committee on Finance

From: Senator Alberta Darling
Representative Robin Vos

Date: October 10, 2011

Re: 14-Day Passive Review Approval – DOA

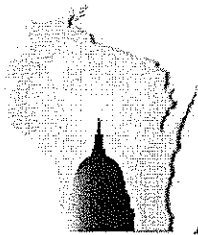
Pursuant to s. 36.46(2), Stats., attached is a 14-day passive review request from the Department of Administration, received on October 10, 2011.

Please review the material and notify **Senator Darling** or **Representative Vos** no later than **Thursday, October 27, 2011** if you have any concerns about the request or if you would like the Committee to meet formally to consider it.

Also, please contact us if you need further information.

Attachments

AB:RV:jm



**WISCONSIN DEPARTMENT OF
ADMINISTRATION**

SCOTT WALKER
GOVERNOR

MIKE HUEBSCH
SECRETARY

Office of the Secretary
Post Office Box 7864
Madison, WI 53707-7864
Voice (608) 266-1741
Fax (608) 267-3842

Date: October 10, 2011

To: The Honorable Alberta Darling, Co-Chair
Joint Committee on Finance

The Honorable Robin Vos, Co-Chair
Joint Committee on Finance

From: Mike Huebsch, Secretary *MH*
Department of Administration

Subject: University of Wisconsin System Auxiliary Reserves Plan

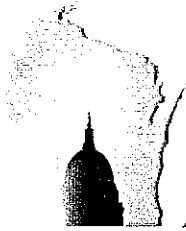
Enclosed is plan that is proposed to be approved by this department under the authority granted in s. 36.46. The explanation of the plan is included in the attached materials.

As provided in s. 36.46(2), the plan will be approved on October 31, 2011, unless we are notified prior to that time that the Joint Committee on Finance wishes to meet in formal session about the plan.

Please contact Kirsten Grinde at 266-1353, or the analyst who reviewed the plan in the Division of Executive Budget and Finance, if you have any additional questions.

Attachments

RECEIVED
OCT 10 2011
BY: *St. Finance*



**WISCONSIN DEPARTMENT OF
ADMINISTRATION**

SCOTT WALKER
GOVERNOR

MIKE HUEBSCH
SECRETARY

Office of the Secretary
Post Office Box 7864
Madison, WI 53707-7864
Voice (608) 266-1741
Fax (608) 267-3842

October 5, 2011

The Honorable Alberta Darling, Co-chair
Joint Committee on Finance
317 East, State Capitol
Madison, WI 53707

The Honorable Robin Vos, Co-chair
Joint Committee on Finance
309 East, State Capitol
Madison, WI 53707

Dear Senator Darling and Representative Vos:

Pursuant to s. 36.46, Wisconsin Statutes, enclosed is a request from the University of Wisconsin System to approve its fiscal year 2011-12 plan for student fee-funded auxiliary reserve balances. Section 36.46 prohibits the Board of Regents from accumulating "any auxiliary reserve funds from student fees for any institution, in an amount that exceeds an amount equal to 15 percent of the previous fiscal year's total revenues from student segregated fees," unless the reserve funds are approved by the secretary of the Department of Administration and the Joint Committee on Finance.

University of Wisconsin System institutions are required to maintain rolling five-year auxiliary operations plans, which are used to determine future funding needs and to project appropriate reserve balances. University of Wisconsin System policy requires that auxiliary reserve balances at all institutions be linked to specific programmatic and operating requirements. According to the University of Wisconsin System, reserve funds are needed by University of Wisconsin System institutions to meet obligations such as:

- Funding debt service;
- Ensuring that equipment and facilities can be maintained, replaced, remodeled or refurbished as needed;
- Providing an operating cushion to offset short-term revenue losses or unanticipated expenditures; and
- Stabilizing rate increases for students.

The University of Wisconsin System is requesting approval to accumulate reserve balances in excess of the 15 percent threshold at eight of the 14 University of Wisconsin System institutions (including the two-year colleges).

The amount of reserve funds in excess of the 15 percent threshold is summarized by campus below.

Campus Detail of Reserves in Excess of the 15% Threshold

| <u>Institution</u> | <u>FY11 Revenue</u> | <u>FY12 Planned Reserve</u> | <u>Reserve as a Percent of Revenue</u> | <u>Amount Over 15% Threshold</u> |
|--------------------|-------------------------|---------------------------------|--|--------------------------------------|
| Eau Claire | \$32,292,205 | \$18,940,254 | 58.65% | \$14,096,423 |
| Oshkosh | \$32,582,844 | \$13,040,217 | 40.02% | \$8,152,790 |
| Whitewater | \$34,364,450 | \$12,279,218 | 35.73% | \$7,124,550 |
| River Falls | \$22,854,945 | \$7,298,053 | 31.93% | \$3,869,811 |
| Platteville | \$26,245,643 | \$6,676,302 | 25.44% | \$2,739,456 |
| La Crosse | \$29,473,152 | \$5,266,871 | 17.87% | \$845,898 |
| Parkside | \$10,334,424 | \$2,296,721 | 22.22% | \$746,557 |
| Colleges | \$5,065,797 | \$902,039 | 17.81% | \$142,169 |
| Total | \$193,213,460 | \$66,699,675 | | \$37,717,655 |

For campuses with excess reserves, the planned reserve balance over the previous year actual revenue varies from 17.8 percent (\$0.1 million) at University of Wisconsin-Colleges to 58.7 percent (\$14.1 million) at University of Wisconsin-Eau Claire. University of Wisconsin-Madison, which accounts for approximately 28 percent of total auxiliaries revenue collected, has a planned balance of 13 percent (\$17.2 million) of its previous year actual revenue. For all campuses combined, fiscal year 2011-12 planned auxiliary reserve balances are expected to equal 18.4 percent of fiscal year 2010-11 actual auxiliary revenues. The plan approved in fiscal year 2009-10 proposed auxiliary balances for fiscal year 2010-11 equal to 11.8 percent of fiscal year 2009-10 actual auxiliary revenues.

Seven campuses plan to use reserve balances in excess of the 15 percent threshold on debt service related to capital projects as follows:

| <u>Institution</u> | <u>Project</u> | <u>Borrowing</u> |
|--------------------|---|------------------|
| UW-Eau Claire | Davies Center (student union) renovation | \$39.9 million |
| UW-La Crosse | New residence hall construction | \$34.4 million |
| UW-Oshkosh | New residence hall construction | \$34.0 million |
| | Student recreation and wellness center | \$17.8 million |
| UW-Parkside | Student union expansion | \$23.7 million |
| UW-Platteville | Williams Fieldhouse Phase I construction | \$5.4 million |
| | Porter Hall renovation | \$2.8 million |
| UW-River Falls | Health and human performance building | \$10.4 million |
| UW-Whitewater | Fischer and Weller residence halls renovation | \$8.6 million |
| | New residence hall | \$35.7 million |

The University of Wisconsin-Colleges plan to use excess reserves for student controlled activities.

October 3, 2011
Page 3 of 3

Two campuses have planned relatively high reserve balances with respect to prior year balances: University of Wisconsin-Oshkosh and University of Wisconsin-Whitewater. These relatively high reserve balances are intended to meet costs associated with new and ongoing building projects.

The University of Wisconsin System's current plan for fiscal year 2011-12 student fee-funded reserves at those campuses that exceed the 15 percent threshold appears reasonable given the projected uses of the reserves and therefore should be approved.

Sincerely,

A handwritten signature in black ink, appearing to read "Mike Huebsch", written over a horizontal line.

Mike Huebsch
Secretary



Vice President for Finance

1624 Van Hise Hall
1220 Linden Drive
Madison, Wisconsin 53706-1559
(608) 262-1311
(608) 263-2046 FAX

Email: ddurcan@uwsa.edu

Website: www.uwsa.edu

September 15, 2011

Senator Alberta Darling
Representative Robin Vos
Co-Chairs, Joint Committee on Finance

Mike Huebsch, Secretary
Department of Administration

Dear Senator Darling, Representative Vos and Secretary Huebsch:

This letter requests approval of the UW System's 2011-2012 plan for student fee funded auxiliary reserve balances as required by section 36.46, Wisconsin Statutes:

The board may not accumulate any auxiliary reserve funds from student fees for any institution, or for the centers in aggregate, in an amount that exceeds an amount equal to 15% of the previous fiscal year's total revenues from student segregated fees and auxiliary operations funded from student fees for that institution, or for the centers in aggregate, unless the reserve funds are approved by the secretary of administration and the joint committee on finance under this subsection. A request by the board for such approval for any fiscal year shall be filed by the board with the secretary of administration and the co-chairpersons of the joint committee on finance no later than September 15 of that fiscal year. The request shall include a plan specifying the amount of reserve funds the board wishes to accumulate and the purposes to which the reserve funds would be applied, if approved. Within 14 working days of receipt of the request, the secretary of administration shall notify the co-chairpersons of the joint committee on finance in writing of whether the secretary proposes to approve the reserve fund accumulation.

It is important to note that fee-funded auxiliary operations are largely self-supporting. Operating like private businesses, these programs must set aside funds that will be needed in the future. That is especially critical when major fee-funded buildings are approved and constructed at an institution. Students expect our institutions to use these reserves for new debt service requirements, equipment, and maintenance. In some cases, these reserves may be needed to offset near-term revenue shortfalls or unanticipated expenditures, providing much-needed stability for students.

Section 36.46 originally required approval of all student fee funded auxiliary reserve accumulations but was amended by the 1997-99 biennial budget bill to require approval of only reserve accumulations in excess of 15% of prior year revenues. UW System policy requires that institutional reserve levels be clearly linked to specific programmatic and operating needs detailed in a multi-year plan.

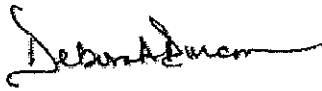
Attachment 1 shows planned reserve balances expected at the end of FY 2011-2012 for all UW institutions, comparing that amount to the reporting threshold (i.e., 15% of 2010-2011 revenues). As you will see, the UW System as a whole is projecting year-end balances that will be \$15.7 million over the 15% threshold. Looking at projected balances by institution, eight institutions forecast balances that will

Universities: Madison, Milwaukee, Eau Claire, Green Bay, La Crosse, Oshkosh, Parkside, Platteville, River Falls, Stevens Point, Stout, Superior, Whitewater. Colleges: Baraboo/Sauk County, Barron County, Fond du Lac, Fox Valley, Manitowoc, Marathon County, Marinette, Marshfield/Wood County, Richland, Rock County, Sheboygan, Washington County, Waukesha. Extension: Statewide.

be over the threshold. Attachment 2 shows the planned uses of those balances. In virtually every case, reserves are being set aside for debt service on completed capital projects and/or for major capital projects in progress that have been previously approved by the Board of Regents, State Building Commission, and full Legislature.

With this report we request approval of the projected balances shown in Attachment 2. I would be happy to answer any questions you may have about this information.

Sincerely,

A handwritten signature in black ink, appearing to read "Deborah A. Durcan". The signature is fluid and cursive, with a long horizontal stroke at the end.

Deborah A. Durcan
Vice President of Finance

cc: Joint Committee on Finance Members
President Reilly
Regents
Chancellors
Vice Presidents
Chief Business Officers
Laurie Grams

Sara Hynek, DOA
Breann Boggs, DOA
Dave Loppnow, LFB
Emily Pope, LFB
Legislative Reference Bureau
Renee Stephenson

University of Wisconsin System
 Section 36.46 Report on Student Fee Funded Auxiliary Reserves 2011-12
 Calculation of 15% Reporting Threshold

| All Institutions | 2010-11 Actual Revenue | 15% of 10-11 Actual Revenue (Threshold) | 6/30/12 Planned Reserve Balance | Greater Than / (Less Than) Threshold |
|------------------|------------------------|---|---------------------------------|--------------------------------------|
| Madison | 132,094,260 | 19,814,139 | 17,183,400 | (2,630,739) |
| Milwaukee | 61,047,857 | 9,157,179 | (4,082,143) | (13,239,322) |
| Eau Claire | 32,292,205 | 4,843,831 | 18,940,254 | 14,096,423 |
| Green Bay | 13,555,627 | 2,033,344 | 1,520,896 | (512,448) |
| La Crosse | 29,473,152 | 4,420,973 | 5,266,871 | 845,898 |
| Oshkosh | 32,582,844 | 4,887,427 | 13,040,217 | 8,152,790 |
| Parkside | 10,334,424 | 1,550,164 | 2,296,721 | 746,557 |
| Platteville | 26,245,843 | 3,936,846 | 6,676,302 | 2,739,456 |
| River Falls | 22,854,945 | 3,428,242 | 7,298,053 | 3,869,811 |
| Stevens Point | 32,236,179 | 4,835,427 | 4,283,051 | (552,376) |
| Stout | 26,909,192 | 4,036,379 | 106,487 | (3,929,892) |
| Superior | 7,589,511 | 1,138,427 | (59,093) | (1,197,520) |
| Whitewater | 34,364,450 | 5,154,668 | 12,279,218 | 7,124,550 |
| Colleges | 5,065,797 | 759,869 | 902,039 | 142,170 |
| TOTAL | <u>466,646,086</u> | <u>69,996,915</u> | <u>85,652,273</u> | <u>15,655,358</u> |

University of Wisconsin System
 Section 36.46 Report on Student Fee Funded Auxiliary Reserves
 Planned Use of 2011-2012 Balances Greater Than Threshold

Attachment 2

| Institution | Balance Greater Than Threshold | Planned Use of 2011-2012 Balances Greater Than Threshold |
|--------------|--------------------------------|--|
| Eau Claire | 14,096,423 | Construction in Progress - Davies Center addition & remodeling - \$8,810,000 Cash and Debt Service payments on \$39,917,000 PRSB |
| La Crosse | 845,898 | Construction in Progress - New Residence Hall - \$4,001,849 Cash and Debt Service payments on \$34,415,906 PRSB |
| Oshkosh | 8,152,790 | Construction in Progress - New Residence Hall - Debt Service payments on \$34,000,000 PRSB Student Recreation & Wellness Center - Debt Service payments on \$17,779,656 PRSB |
| Parkside | 746,557 | Student Union Expansion - Debt Service payments on \$23,730,000 PRSB |
| Platteville | 2,739,456 | Construction in Progress - Williams Fieldhouse Phase I - Debt Service payments on \$5,366,000 PRSB Construction in Progress - Porter Hall renovation - \$2,000,000 Cash and Debt Service payments on \$2,776,000 PRSB |
| River Falls | 3,869,811 | Planning Phase - Health & Human Performance/Recreation Building - Debt Service payments on \$10,399,000 PRSB |
| Whitewater | 7,124,550 | Construction in Progress - Fischer/Weller Renovation - \$1,921,000 Cash and Debt Service payments on \$8,584,000 PRSB New Residence Hall - \$700,000 Cash and Debt Service payments on \$35,728,000 PRSB |
| Colleges | 142,170 | Balances reside in student-controlled activities. |
| TOTAL | 37,717,655 | |

Notes:

1) Project amounts shown are the Program Revenue share of the total estimated project costs with the estimated split between cash and Program Revenue Supported Borrowing (PRSB). Construction status is reported as of July 1, 2011.

2) All projects shown that require enumeration have already been enumerated; some projects are in the planning phase.